

By Suzanne Perry, *Chronicle of Philanthropy*

Betty McCollum-a Democratic congresswoman from Minnesota-is frustrated that federal leaders don't seem to understand the role charities play in the economy or give them the tools they need to be effective and avoid wasting billions of government dollars.

Now she is about to propose an idea she hopes will be the first step in fixing the problem, and she plans to continue her crusade to focus greater attention on the needs of charities.

"Nonprofits, as a sector of the economy, are largely absent today from the federal policymaking process," Ms. McCollum says. "That needs to change."

Ms. McCollum, who represents St. Paul and surrounding areas, spent the past year consulting with charity leaders, trying to better understand the relationship between the federal government and the nonprofit world. One of the big problems: No federal body or Congressional committee has responsibility to make sure that the two sides work effectively together.

The Congressional debate over health care, for example, showed just how little Capitol Hill knows about tax-exempt groups, says Peter Frosch, Representative McCollum's legislative director. The House passed a bill that initially offered tax credits to small businesses that provided health insurance to their employees but no help for small charities.

Ms. McCollum helped rally more than 40 members of Congress to sign a letter asking House leaders to rectify that imbalance -and the lawmakers in the end passed a bill that allowed small nonprofit groups, which don't pay income taxes, to benefit from credits to their payroll taxes.

Peter Frosch, an aide to Rep. Betty McCollum, was surprised to discover how little information was available on charities.

In the bill she plans to introduce next month, Ms. McCollum intends to create two new bodies to help put nonprofit issues on the federal table:

- A National Nonprofit Council- composed of representatives of nonprofit groups, foundations, businesses, and state, local, and federal governments-that would offer formal recommendations to Congress.
- A working group of high-level representatives from federal agencies who would discuss ways to improve relations with nonprofit groups and evaluate recommendations from the new nonprofit council.

One of Ms. McCollum's frustrations is that Congress focuses mostly on the oversight of nonprofit groups, with the Senate Finance Committee and House Ways and Means Committee monitoring whether charities are abusing their tax exemptions.

"Washington needs to start caring as much about strengthening nonprofit organizations as it does regulating them," she says, adding that "tens of millions of Americans rely on nonprofits for the jobs and services they provide."

While something more far-reaching will probably be needed, Mr. Frosch says, Ms. McCollum's legislation is an achievable initial step.

"Let's create a forum where informed people can meet regularly to discuss issues related to the nonprofit sector and produce formal recommendations that would be communicated formally to Congress on the record," he says.

### **No 'Cheerleaders'**

Whether such a forum is needed is a matter of some debate.

Dean Zerbe, who was responsible for nonprofit issues as a former aide to Sen. Charles E. Grassley, says that while he applauds Ms. McCollum's intentions, Congressional advisory bodies too often become "cheerleaders" for industry players rather than dealing with broader concerns of the general public.

"We don't need more of that when we're looking to tighten government spending," says Mr. Zerbe, a Washington lawyer and commentator for The Chronicle. He envisions a commission that would lead the charge against high nonprofit pay and misspending by charities, among other issues.

Mr. Zerbe also questions whether the philanthropic world really needs help getting its messages out to lawmakers. "I've certainly not seen anything from my time on the Hill that would suggest that charities have a problem having their voice heard in terms of Congress," he says. Many charity leaders, however, say nonprofit issues don't get nearly the federal attention they merit.

Tim Delaney, president of the National Council of Nonprofits, which represents small and midsize charities, has been working with Ms. McCollum and calls her legislation "ground breaking." He hopes it will lead to bigger changes, such as cabinet positions at the federal level and in every state.

### **Moment of Insight**

Mr. Frosch, 31 -who joined Ms. McCollum's office in 2006 after serving as environmental-policy director at the Minnesota Environmental Initiative, a charity in Minneapolis -speaks about perceived slights to the nonprofit world with a passion seldom heard outside nonprofit circles.

He traces his epiphany to an article he ran across a couple of years ago proposing a sort of Small Business Administration for nonprofit groups, an idea he says he found novel on the one hand, but obvious on the other. The idea percolated for a while, and last summer he contacted the Congressional Research Service to request its "basic report on the nonprofit sector." The response, he says: "dead silence."

"They have thousands of reports on every conceivable aspect of domestic and international policy," Mr. Frosch says. "I couldn't find a report on the nonprofit sector."

So Ms. McCollum commissioned her own. ("An Overview of the Nonprofit and Charitable Sector," published last November, explores the size and scope of the nonprofit world and some

of the policy questions that affect it.)

Getting more reliable, up-to-date information on topics like nonprofit employment, revenues, and federal grants and contracts must happen first if charities want to win over legislators for bigger changes, says Mr. Frosch.

As a step toward that goal, Ms. McCollum's legislation would direct federal agencies to collect and publish data on nonprofit groups and conduct research on nonprofit issues.

### **'Bang for the Buck'**

Elizabeth Boris, director of the Urban Institute's Center on Nonprofits and Philanthropy -who is among those offering advice to Ms. McCollum-says members of Congress need to know what kind of "bang for the buck they are getting" for federal grants and contracts.

She says many agencies collect information about charities, but don't code it in a way they can be identified -for example, the U.S. Census Bureau collects the revenue of organizations in the services industry, but does not ask whether they are nonprofit or for-profit.

Ms. McCollum will next have to persuade her colleagues that her bill is a high enough priority to pass.

That could be hard to do, say some congressional observers. But they also say her spot on the Appropriations committee puts her in a good position to lead such an effort.

Mr. Frosch says the congresswoman looks forward to taking on the task. "This is a big federal policy challenge that has a very significant impact, not only in our communities, but in every community across this country," he says, "and nobody is talking about it."